

**Department of Revenue
Employment Security Department
Labor and Industries**

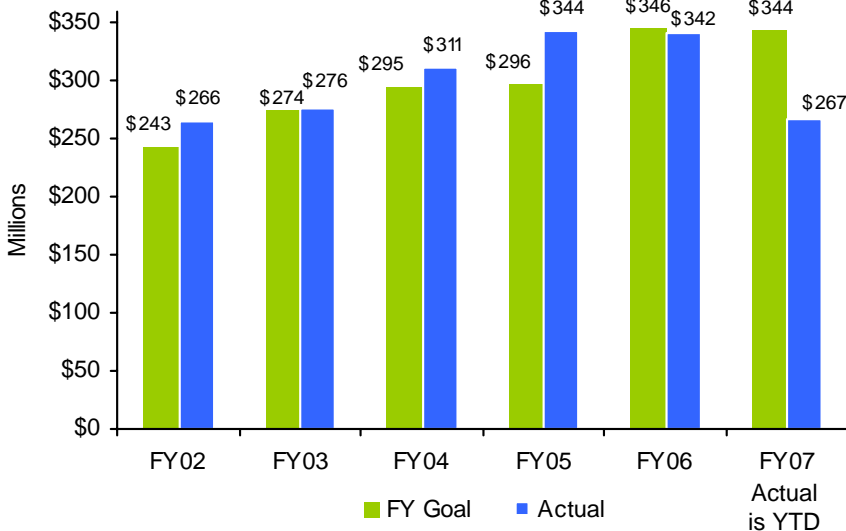
Collections

April 11, 2007

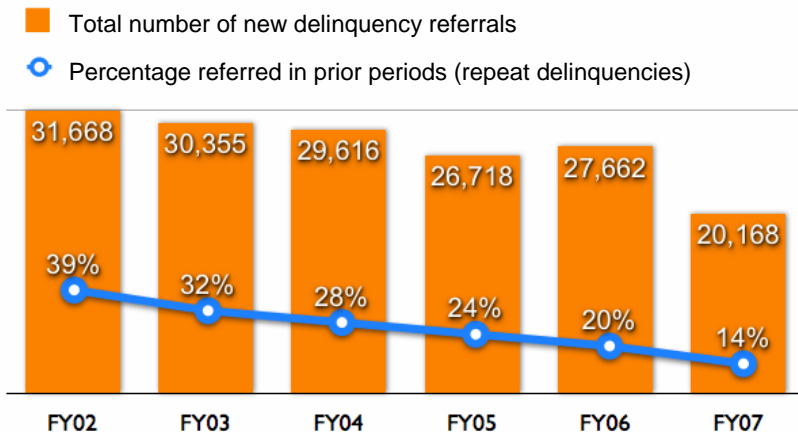
Compliance Division – Enforcement Collections Rising; Repeat Delinquent Accounts Falling



Total Enforcement Collections FY02-FY07



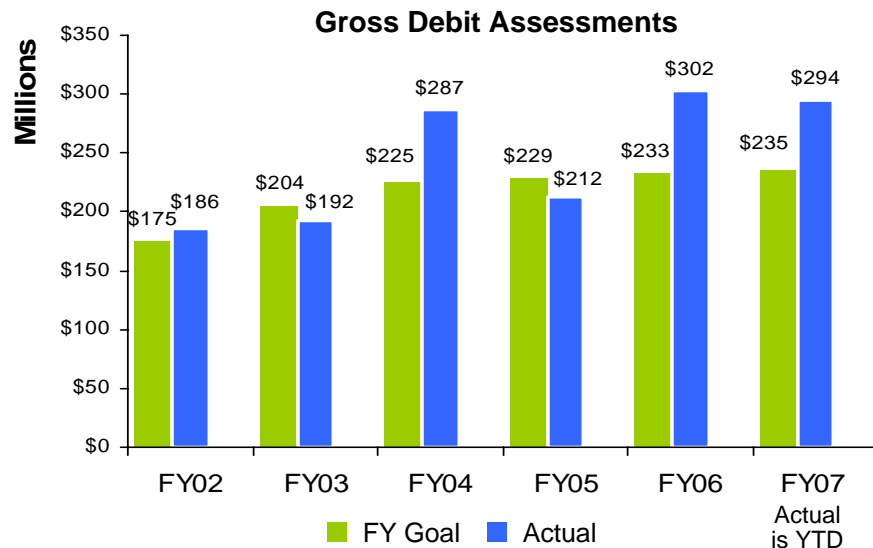
Reduction of Repeat Delinquent Accounts



Background & Analysis

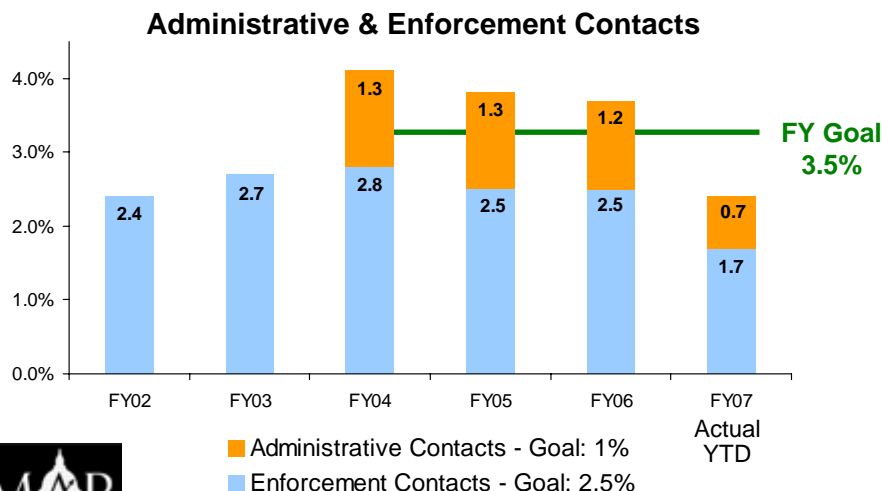
- The Compliance Division collects on delinquent taxpayer accounts, unregistered businesses and use tax on tangible personal property.
- The division contributes approximately 38% of the agency's revenue commitment through collection activity.
- The division is \$36.9 million ahead of the FY07 estimate.
- The use of technology has contributed to increased collections – predictive dialer, electronic payment agreements, e-file, Bill Pay.
- Education efforts have reduced the number of new delinquency referrals and repeat delinquent accounts all while our number of active registered accounts has grown 30% during the same time period (FY02 = 364,000; FY07 = 460,000).

Audit Division – Balance Between Presence and Enforcement



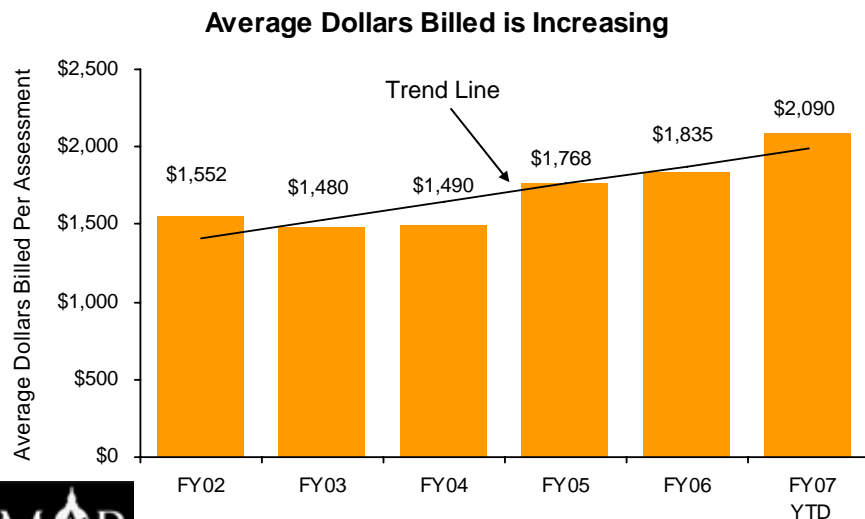
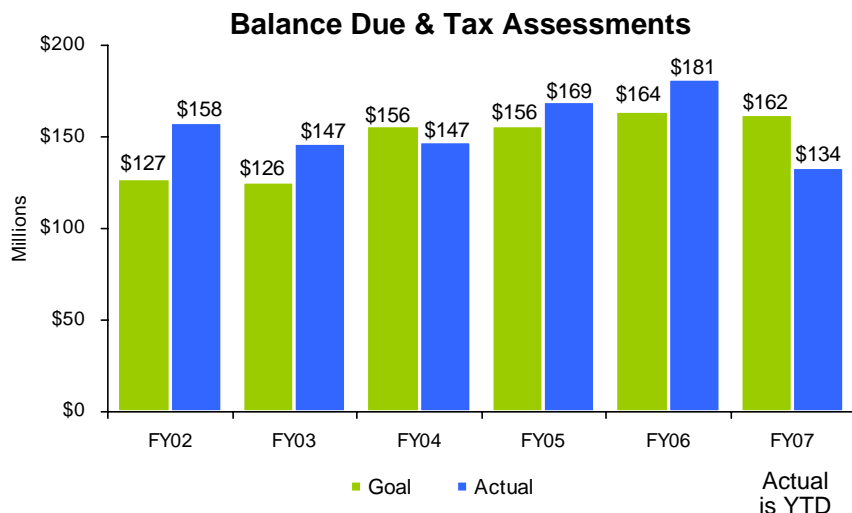
Background & Analysis

- The Audit Division contributes 42% of the agency's revenue commitment through tax assessments.
- The division is \$135.3 million ahead of its YTD gross debit assessment goal of \$158.9 million.
- The administrative & enforcement contacts are on track for the 2007 fiscal year to date.
- Enforcement contacts include: Audits, Refund Requests, Public Works Contract Clearances (e.g. - 11,510 enforcement contacts in FY06).
- Administrative contacts include: Business Outreach Workshops and Speaking Engagements, Tax Consultation Visits, Corporate Dissolutions (e.g. – 5,509 administrative contacts in FY06).



Data Notes: Business & Financial Services Division, Enforcement Collection Activity Reports

Taxpayer Account Administration Division – Investigate Tax Returns for Errors and Underreporting



Background & Analysis

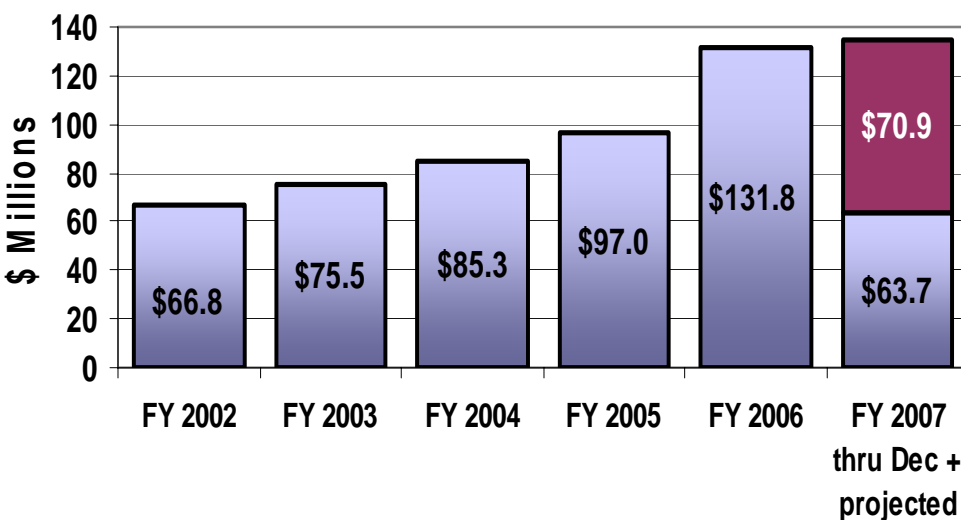
- Taxpayer Account Administration Division (TAA) examines tax returns with errors and conducts investigations on accounts to identify under-reported tax.
- TAA contributes approximately 19% of the agency's revenue commitment. We have achieved 82% of our FY07 goal within the first eight months.
- Average dollars billed per assessment is increasing due to our focus on quality examination and investigations. TAA has concentrated on hiring well qualified examiners, and has improved and expanded the new examiner training program. This has resulted in more thorough account examination and increased our capability in conducting investigations for under reported tax.

Action plan

Description	Division	Completion Date
Continue to maximize and utilize technology including the Data Warehouse Enhancements, <i>Strategic Business Plan Initiative</i>	Compliance Division Nicole Ross, Assistant Director	August 08
Increase management accountability for dollar collections by using GMAP to evaluate regional data	Compliance Division Nicole Ross, Assistant Director	Ongoing
Develop employees' skills, knowledge, and abilities through training and education, <i>Strategic Business Plan Initiative</i>	Human Resource Director Christopher Parsons	September 07
Initiate new programs to identify under reported tax	Taxpayer Account Administration Janetta Taylor, Assistant Director	Ongoing
Analyze and evaluate the results of the Unregistered Business Study	Executive Division Tremaine Smith, Sr. Assistant	July 07
Coordinate and collaborate with ESD and LNI concerning audits, underreporting, and unregistered businesses – Auditor training completed and tracking mechanisms determined for cross-agency referrals and audit sharing as of January 2007 - DOR/ESD/LNI Economic Vitality workgroup	Compliance Division Nicole Ross, Assistant Director Audit Division Mike Grundhoffer, Assistant Director	First report due June 2007

Recovery of Delinquent Premiums

Collection of Delinquent Employer Premiums



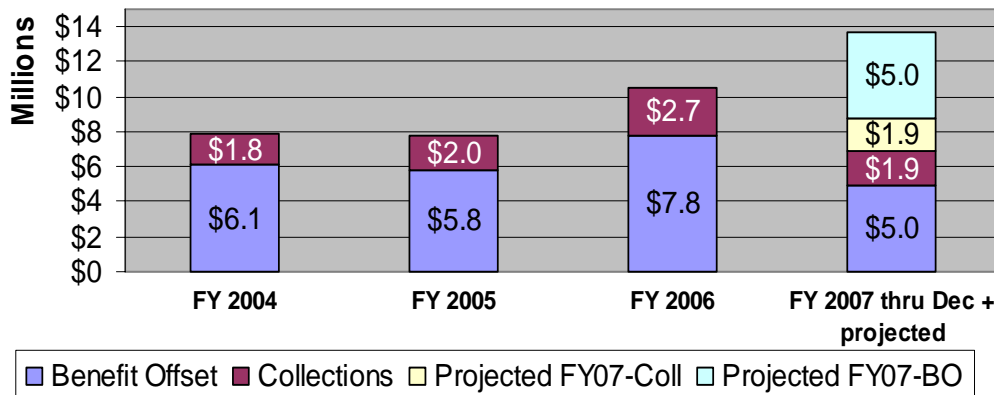
Analysis:

- Large increase in FY06 collections was due to changing the collections process by assigning accounts earlier, automating early calls to employers, and use of recent law changes.
- \$35.5M collected as a result of automated phone dialer which lets businesses know money is due so they pay premiums earlier.
- This resolves easy cases, leaving tougher, more time consuming cases for field staff.
- \$2.2M collected as a result of recent law changes.
- Of almost 80,000 accounts in collections in 2006; 80% were paid in full, 17% are still in collections and 3% were found un-collectable.

Action Plan	By Whom/When
Ensure our customers understand us by revising all collection documents to Plain Talk standards. If our documents are easier to understand, we believe our customers will pay earlier.	D. Botka / P. Kerr 9/07
Improvements in computer systems used for collection of agency receivables will improve our debt collection processes and Revenue Officers have more time to handle tough premium cases.	P. Kerr 5/08

Improving Recovery of Overpayments to Workers

Millions of Dollars Collected on Overpayments to Injured Workers



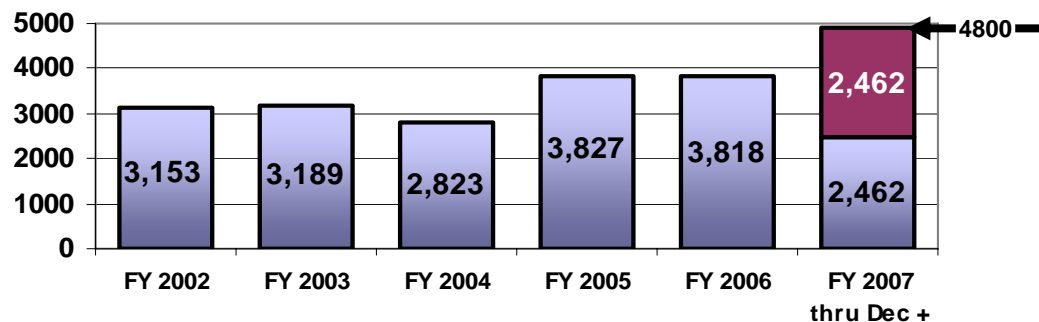
Analysis:

- Less than 1% of benefit dollars paid out result in overpayments.
- Majority of overpayments are recovered by reducing the amount due from future payments the worker will receive. (Benefit offset)
- Amount of average claim overpayment is \$2470. One month of maximum time loss benefits is \$4038.50.
- Improved collections on overpayments and fraud cases by adding two FTE's, identifying best practices and increasing use of available collection tools.
- Project is underway to make our collection documents easier to understand. We expect an increase in number and timeliness of payments.

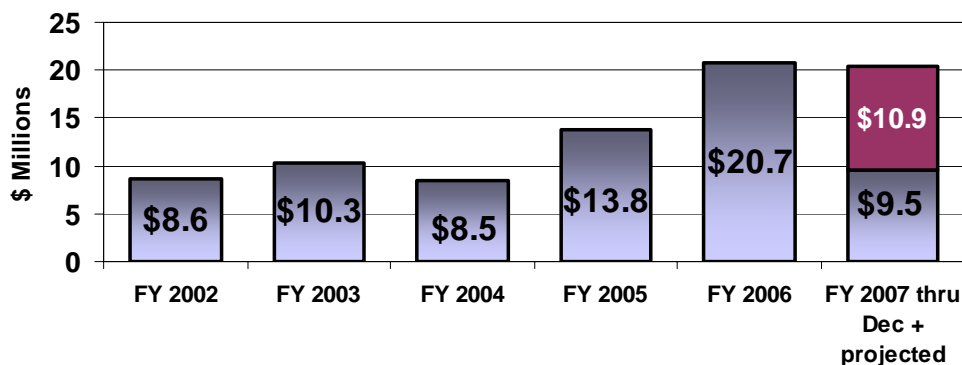
Action Plan to Improve Claims Collections	By Whom/When
Created Revenue Officer workgroup to determine best practices. Identify opportunities to improve process and computer systems.	P. Kerr 10/07
Ensure our customers understand us by revising all collection documents to Plain Talk standards.	D. Botka /P. Kerr 9/07

L&I Audits and Dollars Assessed

Number of Completed Employer Audits



Millions of Dollars Assessed through Employer Audits



Assessments represent premium dollars identified, including additional hours worked and risk class changes. **Note:** The agency refunded \$6.2 million in premium overpayments to employers in FY2006. \$800,000 was identified by audits.

Analysis:

We are on track with our goal of auditing 3% of employers (4,800) in FY07.

Two very unusual (more than \$1 million each) audits in FY06 caused FY06 assessments to be high; we cannot anticipate equally high audits in FY07 so projection for 2007 is less than 2006.

Improvements to increase the number of audits include:

- Just completed cross-training between L&I, DOR and ESD. We expect to increase cross-agency referrals.

Plans to improve the quality of referrals and audits include:

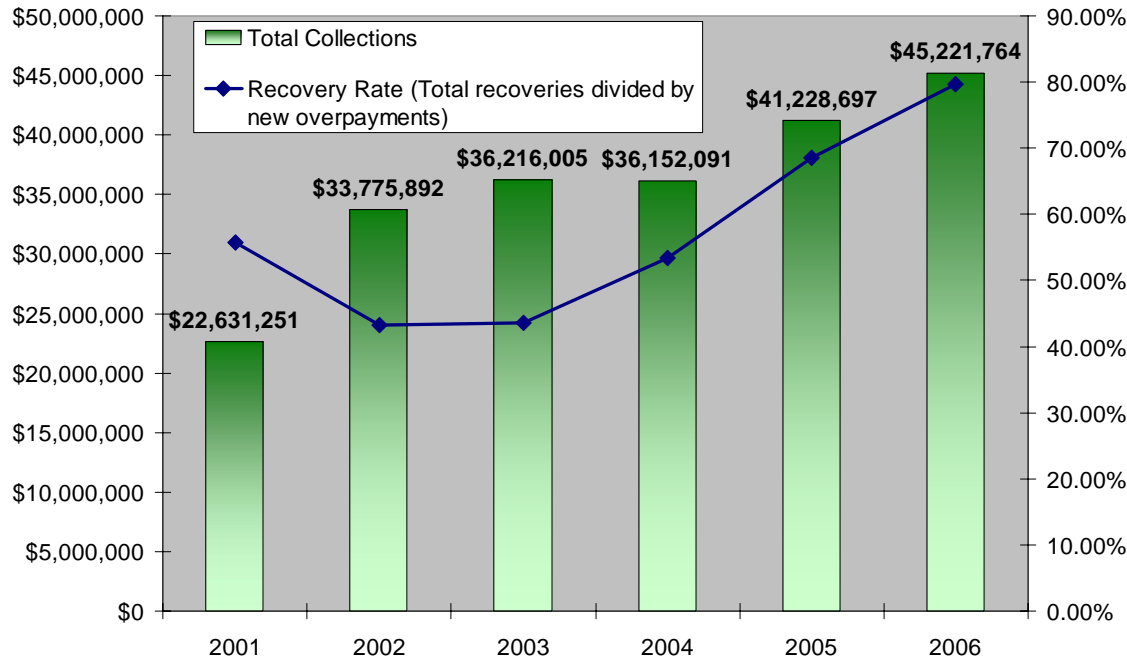
We are completing data sharing and security work with the Internal Revenue Service which will provide great leads for auditors by October 2007.

- New audit system coming on-line in July 2007 will add new audit processes, increase our accuracy and effectiveness in auditing, and increase percentage of employers audited. For the first time, it will link each audit to the money that is eventually collected.

Unemployment Insurance Claimant Compliance is Improving

Recoveries of overpayments of benefits >\$45 million in 2006

ESD doubled collections between 2001 and 2006



Analysis:

- In 2006 ESD implemented:
- A new system cross match, National Directory of New Hires, to locate claimants, employment, and new addresses of claimants not paying their overpayment.
- Voice messages requesting contact for payment arrangements to nonpaying claimants through Predictive Dialer automated telephone system.
- Automated report handling.
- In addition, the 2006 Legislature approved a decision package to increase staffing by five.

Next Steps:

- Implement a Case Management system to increase efficiencies of overpayment case handling. ESD is developing business requirements for contract negotiations.

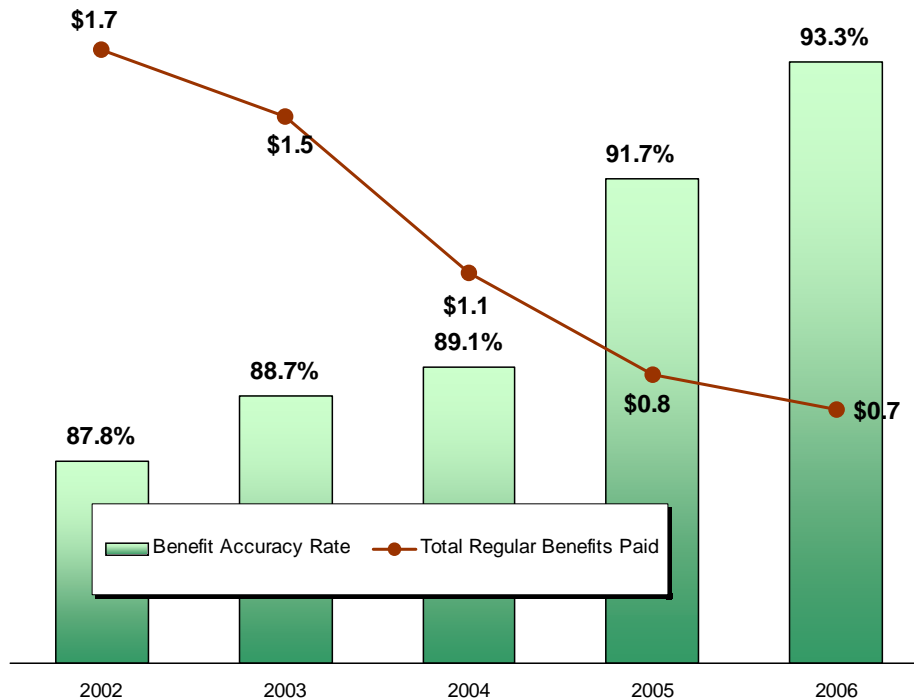
Who – Jerry Iyall, ITSD When – April 2007

- Research solutions to offer claimants other payment options such as debit and credit card.

Who – Jerry Iyall, ITSD When- May 2007

Accuracy of Benefits Paid to Claimants Significantly Improved Since 2002

In 2006, the accuracy of benefit payments reached a five-year high *Dollars in billions*



Analysis

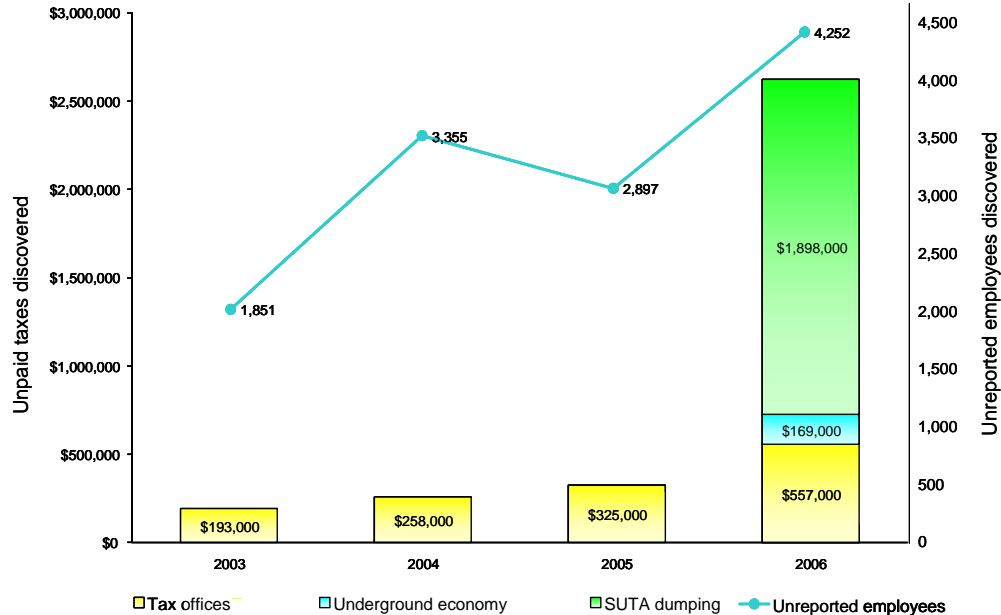
- As the volume of claims declines, accuracy of payments increases
- Washington is considered a national leader in innovation and technology (DOL does not rank state accuracy of benefit payments)

Action Plan

- Complete the Unemployment Insurance Resource Manual, a primary reference source, to help staff improve accuracy
Who: UI Policy Unit; When: Ongoing
- Train staff on legislative changes affecting UI
Who: Benefits Training Group; When: End of session
- Staff proficiency is expected to improve as new hires gain experience
Who: UI staff; When: Ongoing

Tax Discoveries Dramatically Increased in 2006

Targeted employer compliance audits are producing better results



Analysis

2006 increase attributed to:

- Tax Investigations Unit formed in July 2006
- Transition to Targeted Audit program
- Emphasis on compliance, not just taxpayer education
- Tax Office discoveries a 289% increase over 2003

Challenges

- Increased audit complexity and Tax Specialist skill sets
- Targeted audit selection criteria
- Tax Specialist recruitment and retention issues

Action Plan

- Update 6 UI Tax manuals to include procedures on more complex audits; hire 2 trainers for Tax Branch

Who: Bob Forbes;

When: August 07 and ongoing

- Identify regulatory gaps and draft new rules, regulations, and procedures for the UI Tax program

Who: Art Wang;

When: September 07

- Develop a more sophisticated targeted audit selection methodology based on initial results

Who: Diane Bren and Bob Forbes;

When: September 07

- Continue participation in DOP's Recruitment and Retention Taskforce; implement classification review

Who: Peggy Zimmerman and Diane Bren

When: Ongoing